

FEDERAL COMMUNICATIONS COMMISSION



FACT SHEET

April 1997

Wireless Communications Service

The Wireless Communications Service ("WCS") may be used for any fixed, mobile, radiolocation or broadcast-satellite (sound) use consistent with international agreements concerning spectrum allocations.

What is being auctioned?

The Commission is auctioning 128 licenses that will authorize their holders to provide wireless communications service in the 2305-2320 megahertz and 2345-2360 megahertz bands. The auction will consist of 2 licenses (Frequency Blocks "A" and "B"), each authorizing service on 10 MHz of spectrum, in each of 52 Major Economic Areas ("MEAs"), and 2 licenses (Frequency Blocks "C" and "D"), each authorizing service on 5 MHz of spectrum, in each of 12 Regional Economic Area Groupings ("REAGs"). Each frequency block encompasses the following spectrum:

Frequency Block A: 2305-2310 MHz paired with 2350-2355 MHz
Frequency Block B: 2310-2315 MHz paired with 2355-2360 MHz
Frequency Block C: 2315-2320 MHz
Frequency Block D: 2345-2350 MHz

Who is participating in the auction?

Twenty-four applicants qualified to participate in the WCS auction. Those applicants are:

- (1) Alaskan Choice Television, L.L.C.
- (2) Bachow/Coastel, L.L.C.
- (3) Bal/Rivgam, L.L.C.
- (4) BellSouth Wireless Cable, Inc.
- (5) CFW Communications Company
- (6) CS Wireless Systems, Inc.

- (7) Cellutec
- (8) Cincinnati Bell Telecommunications Services, Inc.
- (9) Coloma Wireless, Inc.
- (10) Comcast WCS Communications Inc.
- (11) IWL Communications, Inc.
- (12) McLeod, Inc.
- (13) Metricom, Inc.
- (14) Omnipoint Data Company, Inc.
- (15) PCSCO Partnership
- (16) Pacific Telesis Enterprises
- (17) Pacific Triangle Communications
- (18) Pioneer Telephone Association, Inc.
- (19) Rig Telephones, Inc. d/b/a Datacom
- (20) Shell Offshore Services Company
- (21) Superior Communications Corporation
- (22) Telecorp Management Corp., Inc.
- (23) Triad Cellular Corporation
- (24) Valley Telephone Cooperative, Inc.

Of these applicants, 4 claimed qualification as small businesses (average annual gross revenues not in excess of \$40 million for the preceding three years) and 8 others as very small businesses (average annual gross revenues not in excess of \$15 million for the preceding three years).

What type of auction is being used for the WCS auction?

A simultaneous multiple round electronic auction. Bidders will place all bids remotely by computer.

What is the upfront payment required to participate in the WCS auction?

In order to bid, bidders must submit by wire transfer an upfront payment of \$.02 x block size in MHz x population (except for the Gulf of Mexico service areas, of which the MEAs require upfront payments of \$5000 each and the REAGs require payments of \$2500 each).

The applicants tendered upfront payments totalling approximately \$230,000,000.

AUCTION EVENT:

How will bids be made?

- Bidders must place their bids electronically via computer.
- The Commission has not established a minimum opening bid for these licenses.
- All accepted bids and the minimum valid bid amount for the next round will be announced after the conclusion of each bidding period.
- Once there is a standing high bid on a license, the Commission will use a new formula for determining minimum bid increments in the WCS auction. The new methodology, referred to as "exponential smoothing," bases the bid increment for each license on a weighted average of the activity on that license in the most recently completed round and all previous rounds. This methodology will allow the bid increment to be tailored more closely to the level of bidding activity.
- In the event of tie bids, the Wireless Telecommunications Bureau will identify the high bidder on the basis of the order in which bids are received, starting with the earliest bid.

How long is each bidding round, and how many bidding rounds per day?

Initially, bidding rounds are expected to last one hour to allow bidders to become familiar with the bid submission process. Two rounds of bidding will be conducted on the first two days of the auction -- Tuesday, April 15 and Wednesday, April 16. Unless otherwise announced, four rounds of bidding per day will be conducted on Thursday, April 17 and Friday, April 18. After Friday, April 18, the Commission will set the pace of the auction based on its monitoring of the bidding and its assessment of the auction's progress. Generally, at the end of each week of the auction, the Commission will announce the bidding schedule for the following week.

How will the Commission move the auction through the various stages/phases?

In order to ensure that the auction closes within a reasonable period of time, an activity rule requires bidders to bid actively throughout the auction, rather than waiting until the end before participating. A bidder that does not satisfy the activity rule either loses bidding eligibility or uses an activity rule waiver (of which each bidder begins the auction with five). The Commission will conduct the auction in stages; each stage will require of the bidders a certain level of bidding activity in order to maintain their levels of eligibility. During the auction, the Commission will announce stage transitions, which will increase the minimum required activity

levels. Failure to maintain the requisite activity level will result in a reduction in the bidder's eligibility in the next round of bidding (unless an activity rule waiver is used). Unlike some previous auctions, such as that for the broadband PCS D, E and F Block licenses, a bid that is placed and removed in the same round does not count toward activity.

How will bid withdrawals be handled?

In the WCS auction, we are introducing an upgraded version of the Automated Auction System bidding software. With this upgraded system, bidders will be allowed to make and remove as many bids as they want prior to the close of the bidding period. What will count are the final bids existing at the close of the bidding period. A bidder that places a bid and removes it during the same bidding period will not be subject to a bid withdrawal payment. To prevent strategic delays to the close of the auction, the Commission retains the discretion to limit the number of times that a bidder may re-bid on a license from which it has withdrawn a high bid.

If a high bid is withdrawn, the license will be offered in the next round at the second highest bid price, which may be less than, or equal to in the case of tie bids, the amount of the withdrawn bid, without any bid increment. The Commission will serve as a "place holder" on a license until a new acceptable bid is submitted on that license.

When does the auction end?

The auction will close after one round passes in which no new valid bids or proactive waivers are submitted. The Commission retains the discretion to keep an auction open even if no new valid bids and no proactive waivers are submitted. In the event that the Commission exercises this discretion, the effect will be the same as if a bidder had submitted a proactive waiver.

POST-AUCTION:

What forms must a winning bidder complete?

A winning bidder must file a long form application containing information demonstrating their eligibility to hold a WCS license and, if eligible for a bidding credit, more detailed ownership and financial information. The required information is detailed in Parts 1 and 27 of the Commission's Rules.

When are down payments due?

After bidding has ended, the Commission will issue a public notice declaring the auction closed, identifying the winning bids and bidders for each license, and listing withdrawn bid payments due. Within ten business days after release of the auction closing notice, winning bidders are obligated to bring their total amounts of money on deposit with the government (upfront payments less any withdrawal payments) to 20% of their high bids, unless they are using small business bidding credits. If using bidding credits, winning bidders are obligated to bring the total amount of money on deposit with the government to 20% of their net winning bids (actual bids less applicable bidding credits).

When is full payment due?

Winning bidders are obligated to pay the remaining 80% of their bids within 10 business days of a public notice announcing that the Commission is prepared to award the licenses.

Amendments to the applications of winning bidders will be available for public inspection following the release of the public notice announcing the acceptability for filing of such amendments.

When does the FCC expect licenses to be granted?

The Commission anticipates that licenses will be granted in late summer of this year.

What are the terms of WCS licenses, and what milestones must a WCS licensee meet?

The term of a WCS license is 10 years, with a renewal expectancy similar to that afforded to PCS and cellular licenses. WCS licensees are required to provide substantial service to their service areas within ten years. Licensees failing to demonstrate that they are providing substantial service at the ten year period will be subject to forfeiture of their licenses.

Note: The FCC makes no representations or warranties about the use of this spectrum for particular services. Applicants should be aware that an FCC auction represents an opportunity to become an FCC licensee in this service, subject to certain conditions and regulations. An FCC auction does not constitute an endorsement by the FCC of any particular services, technologies or products, nor does an FCC license constitute a guarantee of business success.

Applicants should perform their individual due diligence before proceeding as they would with any new business venture.

Additional Information:

The public may retrieve some of the WCS documents from the FCC Internet node via anonymous FTP@fcc.gov. Other general information about WCS may be obtained from the FCC's website at www.fcc.gov.

For further inquiries, telephone the Wireless Telecommunications Bureau's Auctions Division at (202) 418-0660.